

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 15, 2008

**Advice Letter 3132-E**

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: Amendment to the Agreement to Undertake the Demonstration Project to Convert Dairy Waste for Renewable Natural Gas Electric Energy Production between Microgy, Inc. and PG&E Company**

Dear Mr. Cherry:

Advice Letter 3132-E is effective October 2, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Lewis".

Kenneth Lewis, Acting Director  
Energy Division

October 9, 2007

**Advice 3132-E**  
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

**Subject: Amendment to the Agreement to Undertake the Demonstration Project to Convert Dairy Waste for Renewable Natural Gas Electric Energy Production between Microgy, Inc. and Pacific Gas and Electric Company**

**PURPOSE:**

Pacific Gas and Electric Company ("PG&E") hereby submits to the California Public Utilities Commission ("Commission" or "CPUC") for approval a letter agreement ("Letter Agreement" or "Second Amendment") constituting the second amendment to the Agreement for Sale and Purchase of Gas, dated February 22, 2007, as previously amended, between Microgy, Inc ("Microgy") and PG&E ("Contract"). The Contract was a result of bilateral negotiations, and was originally submitted for Commission approval on February 28, 2007 in Advice 2996-E. On July 12, 2007, PG&E submitted Advice 2996-E-A, as a supplement to Advice 2996-E. Resolution E-4083, issued on August 23, 2007, approved both Advice 2996-E and Advice 2996-E-A.

PG&E provides a copy of the Second Amendment to the Microgy Contract, dated September 28, 2007 as confidential Appendix A. PG&E incorporates by reference the Contract, as previously amended and approved ("First Amendment"), and the Contract Analysis filed in Advice 2996-E on February 28, 2007.

**I. Introduction:**

The Second Amendment will allow PG&E to take delivery of a portion of the daily maximum volume of biogas included in the Commission-approved original Contract as early as January 1, 2008 from an existing facility. The Second Amendment adjusts the Contract's language to allow delivery of the biogas to PG&E at the interconnection point with PG&E's gas transmission system known as "PG&E

Topock”, and decreases the contract price to mitigate any additional gas transportation cost that may be incurred by PG&E from PG&E Topock to PG&E’s gas distribution system. The Contract’s daily maximum volume remains unchanged.

PG&E requests the Commission approve the Second Amendment through a resolution no later than December 20, 2007, containing the findings required by the definition of “CPUC Approval” in Appendix A of D.04-06-014, which is also consistent with the Contract.

In support of this request, PG&E submits the following confidential document under seal to protect sensitive commercial terms from public disclosure, consistent with D.06-06-066. The justification for confidential treatment is set forth in the Declaration Seeking Confidential Treatment accompanying this advice letter.

Confidential Appendix A – Second Amendment to Agreement for Sale and Purchase of Gas

**II. Background:**

On February 28, 2007, PG&E filed the Contract for Commission approval in Advice 2996-E. On July 12, 2007, PG&E filed a supplemental filing to Advice 2996-E seeking approval to amend, through the First Amendment, certain terms and conditions related to the California Energy Commission (“CEC”) certification in the Contract between Microgy and PG&E. The CPUC approved the Contract and First Amendment in Resolution E-4083 on August 23, 2007.

On September 28, 2007, PG&E and Microgy signed the Second Amendment to the Contract. The Second Amendment will allow PG&E to take delivery of up to 2,000 MMBtu of the total 8,000 MMBtu previously approved by the CPUC from the Huckabay Ridge Facility (the “Facility”), an existing biogas facility located in Texas. Deliveries will commence on or after January 1, 2008 for delivery at PG&E Topock. Microgy will be responsible for transportation and documentation of the biogas from the Facility to PG&E Topock. The Facility is connected by a distribution line to the El Paso natural gas transportation system, which operates within the Western Electric Coordinating Council (“WECC”) region and will transport the biogas to PG&E’s facilities at Topock. PG&E will be responsible for transport from Topock to the power plant. Accordingly, the incremental transportation cost has been offset with a reduced contract price, resulting in no net change in cost for customers. The price of the remaining 6,000 MMBtu to be delivered under the Contract is unchanged from the price previously approved by the CPUC. The Second Amendment does not affect the maximum volume approved in the Contract nor any other terms and conditions.

Gas derived from RPS-eligible digester gas (referred to as “biogas”) that is injected into a natural gas transportation pipeline system and delivered into California for use

in an RPS-certified multi-fuel electricity generation facility may result in the generation of RPS-eligible electricity.<sup>1</sup> The biogas purchased from Microgy will meet RPS-eligibility criteria because it is pipeline-grade, the volume of biogas is accurately metered at the point of injection into the natural gas transportation system, and has been nominated to an electricity generation facility controlled by PG&E that will be CEC-certified as RPS eligible. The biogas meets the CEC's California delivery requirement because it is being injected into a natural gas pipeline system that is interconnected to a natural gas pipeline system in the WECC region that delivers gas into California.<sup>2</sup> PG&E will nominate the biogas for delivery through PG&E's own pipeline to the PG&E-owned Humboldt Bay electricity generation facility. PG&E filed an application for RPS certification for each of the Humboldt Bay Power Plant Units on September 18, 2007. These applications are pending at the CEC; however, certification is expected. Because the biogas, mode of transportation, and ultimate use will all meet the CEC's criteria for biogas as a renewable energy resource, the energy generated using biogas procured through the Second Amendment will be RPS-eligible.

### **III. PRG Feedback:**

PG&E provided its PRG with a report on this technology and the potential projects on July 19, 2006 and September 25, 2006. PG&E additionally informed the PRG via e-mail, on October 3, 2007, that PG&E and Microgy had amended the Contract via the Second Amendment.

PRG members have not expressed any concerns with the resulting Contract or Second Amendment.

### **V. Request for Commission Approval**

Except as expressly amended by the Second Amendment, the terms and conditions of the Contract previously approved by the Commission remain in full force and effect. Therefore, PG&E requests that the Commission issue a resolution no later than December 20, 2007, that finds:

1. The parties have agreed to amend the Agreement for Sale and Purchase of Gas, approved by CPUC resolution E-4083, via the Second Amendment.
2. The Second Amendment will have no effect upon the RPS-eligibility of the biogas.

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<sup>1</sup> RPS Eligibility Guidebook, CEC 300-2007-006-CMF, March 2007 at 22. Note: The CEC is considering amendments to the RPS Eligibility Guidelines, however, no substantive change to the biogas eligibility criteria has been proposed. (See, RPS Eligibility Staff Draft Guidebook, CEC-300-2007-006-ED3-SD.)

<sup>2</sup> Id.

3. The terms of the Second Amendment are reasonable, and the Second Amendment should be approved.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **October 29, 2007**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005, as well as to Honesto Gatchalian, Energy Division, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company  
Attention: Brian Cherry  
Vice President, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-7226  
E-Mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

### **Effective Date:**

PG&E requests that this advice filing become effective on **December 20, 2007**. PG&E submits this as a Tier 3 filing.

**Notice:**

In accordance with General Order 96-B, Section IV, a copy of this advice letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.01-10-024 and R.06-05-027. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the advice letter and accompanying confidential attachments by overnight mail. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>



Brian K. Cherry  
Vice President - Regulatory Relations

cc: Service List for R.06-05-027  
Service List for R.01-10-024  
Paul Douglas – Energy Division

Attachments

**Limited Access to Confidential Material:**

The portions of this advice letter so marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 of the Public Utilities Code and General Order 66-C. Pursuant to the Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying with Decision 06-06-066, issued on August 22, 2006, in Rulemaking 05-06-040, a separate Declaration of Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments:

**Appendix A Second Amendment to Agreement for Sale and Purchase of Gas**

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: DXPU@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3132-E**

Tier: **[3]**

Subject of AL: **Amendment to the Agreement to Undertake the Demonstration Project to Convert Dairy Waste for Renewable Natural Gas Electric Energy Production between Microgy, Inc. and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): RPS

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Pete Kozalka. (415)-973-3818.

Resolution Required?  Yes  No

Requested effective date: 12/20/2007

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave., San Francisco, CA 94102**

**[jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)**

**Pacific Gas and Electric Company**

**Attn: Brian K. Cherry, Vice President, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**DECLARATION OF PETER E. KOSZALKA  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN ADVICE LETTER 3132-E  
(PACIFIC GAS AND ELECTRIC COMPANY ID U 39 E)**

I, Peter E. Koszalka, declare:

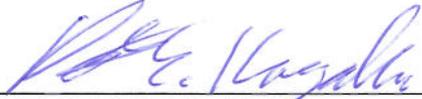
1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 2003 (and was previously employed by PG&E from 1983 to 1998). My current title is Manager, Electric Fuels Management. In this position, my responsibilities include purchasing natural gas (including biogas) in support of PG&E's allocated DWR contracts, PG&E's company-owned generating facilities, and PG&E's tolling agreements. In carrying out current and past responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties, I have also gained knowledge of the operations of such sellers in general and, based on my experience in dealing with facility and contract owners, I am familiar with the types of data and information about their contracts and operations that such parties would consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued August 22, 2006, I make this declaration seeking confidential treatment of, "Appendix A to Advice 3132-E," submitted on October 9, 2007. By this Advice Letter PG&E is seeking this Commission's approval of a second amendment to the February 22, 2007 gas sale and purchase agreement that PG&E has executed with Microgy, Inc. originally filed on February 28, 2007 in Advice 2996-E.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is

seeking to protect constitutes the particular type of data and information listed in Appendix 1 (the "IOU Matrix") of Decision 06-06-066. The matrix also specifies the category or categories in the IOU Matrix to which the data and information correspond, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to this filing in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on October 9, 2007, at San Francisco, California.

  
\_\_\_\_\_  
PETER E. KOSZALKA

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

	Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1	Document: Advice Letter 3132-E							
2	Appendix A - Second Amendment to Agreement for Sale and Purchase of Gas	Y	Item VII.B and I.A.4	Y	Y	Y	Appendix A contains the amendment to the Agreement for the Sale and Purchase of Gas Between Microgy, Inc and Pacific Gas and Electric Company, which is protected from public disclosure, as provided by category VII.B. of the Confidentiality Matrix, which governs "Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)" and category I.A.4 of the Confidentiality Matrix, "Long-term fuel (gas) buying and hedging plans."	Remain confidential for three years

**PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV**

ABAG Power Pool	Douglass & Liddell	PG&E National Energy Group
Accent Energy	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Aglet Consumer Alliance	Duke Energy	PITCO
Agnews Developmental Center	Duke Energy North America	Plurimi, Inc.
Ahmed, Ali	Duncan, Virgil E.	PPL EnergyPlus, LLC
Alcantar & Kahl	Dutcher, John	Praxair, Inc.
Ancillary Services Coalition	Dynergy Inc.	Price, Roy
Anderson Donovan & Poole P.C.	Ellison Schneider	Product Development Dept
Applied Power Technologies	Energy Law Group LLP	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Management Services, LLC	R. W. Beck & Associates
Arter & Hadden LLP	Exelon Energy Ohio, Inc	Recon Research
Avista Corp	Exeter Associates	Regional Cogeneration Service
Barkovich & Yap, Inc.	Foster Farms	RMC Lonestar
BART	Foster, Wheeler, Martinez	Sacramento Municipal Utility District
Bartle Wells Associates	Franciscan Mobilehome	SCD Energy Solutions
Blue Ridge Gas	Future Resources Associates, Inc	Seattle City Light
Bohannon Development Co	G. A. Krause & Assoc	Sempra
BP Energy Company	Gas Transmission Northwest Corporation	Sempra Energy
Braun & Associates	GLJ Energy Publications	Sequoia Union HS Dist
C & H Sugar Co.	Goodin, MacBride, Squeri, Schlotz &	SESCO
CA Bldg Industry Association	Hanna & Morton	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Heeg, Peggy A.	Silicon Valley Power
CA League of Food Processors	Hitachi Global Storage Technologies	Smurfit Stone Container Corp
CA Water Service Group	Hogan Manufacturing, Inc	Southern California Edison
California Energy Commission	House, Lon	SPURR
California Farm Bureau Federation	Imperial Irrigation District	St. Paul Assoc
California Gas Acquisition Svcs	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
California ISO	International Power Technology	Tabors Caramanis & Associates
Calpine	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Corp	IUCG/Sunshine Design LLC	TFS Energy
Calpine Gilroy Cogen	J. R. Wood, Inc	Transcanada
Cambridge Energy Research Assoc	JTM, Inc	Turlock Irrigation District
Cameron McKenna	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cardinal Cogen	Manatt, Phelps & Phillips	United Cogen Inc.
Cellnet Data Systems	Marcus, David	URM Groups
Chevron Texaco	Matthew V. Brady & Associates	Utility Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
CLECA Law Office	Mirant California, LLC	
Commerce Energy	Modesto Irrigation Dist	
Constellation New Energy	Morrison & Foerster	
CPUC	Morse Richard Weisenmiller & Assoc.	
Cross Border Inc	Navigant Consulting	
Crossborder Inc	New United Motor Mfg, Inc	
CSC Energy Services	Norris & Wong Associates	
Davis, Wright, Tremaine LLP	North Coast Solar Resources	
Defense Fuel Support Center	Northern California Power Agency	
Department of the Army	Office of Energy Assessments	
Department of Water & Power City	OnGrid Solar	
DGS Natural Gas Services	Palo Alto Muni Utilities	